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urban market REPORT:

A TAPESTRY OF MEDIA & LIFE®

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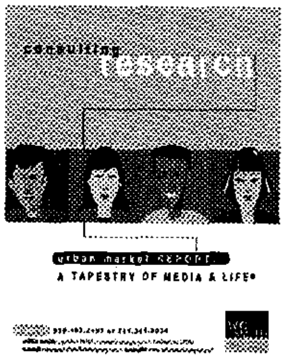
OVERVIEW



Report Findings

BROADBAND'S IMPACT VASTLY UNDERESTIMATED AMONG ETHNIC MARKETS

In this exhaustive nationwide study by W.G. Smith & Associates, Inc. featuring ethnic and technographic segmentation, access to traditional Broadband Video (Cable/Satellite) was found to have an enormous relationship with the "quality of life" among U.S. ethnic or minority groups. The principal researcher, Willis Smith says "Broadband Video has been vastly underestimated in its association with the quality of life of many ethnic or minority groups in the U.S". The report is in stark contrast to so much recent attention and policy debate focused on ethnic groups or minorities having access to Narrowband and Broadband Internet access and technology. However, as Internet access and content shift more to a Broadband platform, Broadband access will become increasingly important as a provider of both Video, Data, and Voice for ethnic and minority market groups.

BROADBAND VIDEO = QUALITY OF LIFE (Broadband Video vs. Non-Broadband Video)

The newly released Broadband Edition of the **Urban Market Report**: *A Tapestry of Media & Life®*, determined that access to traditional Broadband Video technology had a strong relationship with "quality of life" factors. Minority or ethnic groups with access to Broadband Video had higher levels in such categories as Education, Occupation, Family, Home Ownership and Residency when compared to most Non-Broadband Video ethnic groups. The report also found that Education, not Income, was the key predictor or indicator for Broadband Video among African-Americans, a fact which is largely contrary to the General Population and other groups. It is also an indication that African Americans with higher incomes are not attracted to Broadband Video programming and/or are not being effectively marketed. The report gives credence to the importance of diversity and target marketing for growing both traditional and new Broadband product lines and services.

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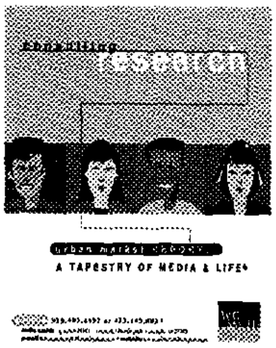


OVERVIEW

MARKET OPPORTUNITIES & EFFICIENCIES -

In general, ethnic or minority groups lagged behind the general population in Broadband access and basic subscription rates. However, there were ample and unique opportunities identified for advertising and marketing efficiencies based on higher concentrations of ethnic groups in U.S. regional and metropolitan areas. For example, the Los Angeles market alone contained 25% of all Hispanics and 31% all of Asians without access to Broadband Video in the Top 5 Media Markets. The Southeast as a region had 37% of all African Americans without access to Broadband Video in the U.S.

MARKETING: GAPS of Opportunity -

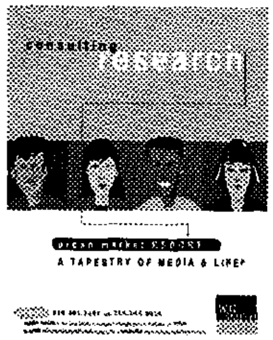
The report identified many ethnic gaps in Marketing, Programming, and Video Equipment Purchases that provide opportunity for market growth, increased market share, incremental revenue, and return-on-investment for operators, programmers, internet providers, and video equipment manufacturers. For example, there was a significantly underserved Asian American segment with Teens in the household that were Non-Broadband Video subscribers.

ETHNIC SELF-MARKETING Leads to Trend-Setting -

In many instances, ethnic markets appear to have "Self-Marketed" themselves within Broadband Video services or video equipment products. Many of these ethnic trends in programming and video equipment have implication for such technologies and services as High Definition Television, Personal Video Recorders, Video-On-Demand, and Subscription Video-On-Demand, as well as their trend impact on the general market.

Need for Informational Programming -

The **Urban Market Report**: *A Tapestry of Media & Life*® found high viewing indexes among ethnic groups for many informational programming channels such as CNN, The Weather Channel, and Discovery. For example, Hispanic Americans had the highest viewing index (Past 7 Days) for The Learning Channel in comparison to all other ethnic groups and the General Population.



OVERVIEW

Add-On Programming Services –

Trend-setting by ethnic groups has long been a part of Broadband Video's Premium and Pay-Per-View services. But, the report also identified over 1 million Non-Broadband Video households that reported viewing Pay Channels within the Past 7 Days. This might indicate the strong market potential for DVD Point-of-Sale, VOD, and SVOD services among ethnic markets.

Video Equipment Purchases-

THE **Urban Market Report**: *A Tapestry of Media & Life®* found that African Americans surpassed all groups and the General Population in purchases of Video Equipment with a price range of greater than $500. Although largely unexplored, the penchant of African Americans for hi-end video/audio equipment, particularly large screen television sets, could have a tremendous influence on trends impacting the adoption rates of HDTV technology.

Methodology and Data

The **Urban Market Report**: *A Tapestry of Media & Life®* Series is compiled from a population based national U.S. sample. Multiple variables or factors were data mined and examined from a sample size of 150,000 + Adults 18 years or older, which makes the data extremely reliable and stable over time. **The Urban Market Report**: *A Tapestry of Media & Life®* was customized based on ethnicity, relevancy, impact, or implication for urban markets. Data reflects a national sample representative of U.S. Adults 18+ that is population based.

Sources for Options I, II, and III include USADATA.com/Scarborough Research, U.S. Census Bureau, University of Georgia's Selig Center for Economic Growth, as well as numerous periodicals, trade journals, academic, and industry reports.

BROADBAND VIDEO (CABLE)

Access

Table 1 reflects Broadband (Cable) subscription among ethnic groups and the General Population. Notably, ethnic groups had lower penetration rates than the General Population. African Americans with Broadband had a 60% penetration rate with 94% availability of cable in their neighborhoods. Asian Americans had a 53% penetration rate with 95.5% cable availability in their neighborhoods. Hispanic Americans had a 51% penetration rate and 95% availability of cable in their neighborhoods.

African Americans <u>without</u> Broadband had the lowest percentage of cable availability in their neighborhood with an 85.8% rate. Asian Americans <u>without</u> Broadband had a 90% rate for cable availability in their neighborhoods. Hispanic Americans <u>without</u> Broadband had an 89% rate of availability of cable in their neighborhoods.

TABLE - 1

	AFRICAN AMERICAN	ASIAN AMERICAN	HISPANIC AMERICAN	GENERAL POPULATION
BROADBAND CABLE	59.6%	52.6%	51.47%	64.8%
CABLE IN NEIGHBORHOOD (YES)	94.3%	95.5%	94.8%	92%
NO BROADBAND	**AFRICAN AMERICAN**	**ASIAN AMERICAN**	**HISPANIC AMERICAN**	**GENERAL POPULATION**
CABLE IN NEIGHBORHOOD (YES)	85.8%	90%	89.29%	92%
CABLE IN NEIGHBORHOOD (NO)	11.8%	4.8%	6.36%	7.4%

Source: **Urban Market Report**: *A Tapestry of Media & Life®*

BROADBAND VIDEO (SATELLITE)

Table 2 shows Broadband (Satellite) subscription and Dish Sizes among ethnic groups and the General Population. In general, ethnic groups had lower penetration rates for Satellite services. African Americans had the highest Satellite penetration rate (5.7%) among ethnic groups. African-Americans also had higher percentages for all categories of Dish Sizes. Asian Americans had a 4.9% Satellite penetration rate with a majority being 18-Inch Dishes. Hispanic Americans had a 4.8% Satellite penetration rate, also with a majority being 18-Inch Dishes.

TABLE - 2

BROADBAND	AFRICAN AMERICAN	ASIAN AMERICAN	HISPANIC AMERICAN
SATELLITE SUB	5.7%	4.9%	4.8%
DISH SIZE 18 INCHES	6.5%	3.8%	2.67%
DISH SIZE 3 FEET	10.19%	.5%	.63%
DISH SIZE 6 FEET	5.7%	.6%	1.22%
NO BROADBAND	**AFRICAN AMERICAN**	**ASIAN AMERICAN**	**HISPANIC AMERICAN**
NO SATELLITE	94.6%	94.8%	94.6%
DON'T KNOW	.03%	0%	.42%

Source: **Urban Market Report**: *A Tapestry of Media & Life®*

MARKET REGIONS

Table 3 reflects national geographic dispersion and concentration of ethnic groups within U.S. Market Regions. Market Region percentages are segmented and compared by Broadband Video or Non-Broadband Video based on estimates of the total U.S. population (Adults 18+) for each respective ethnic group and the General Population. For example, African Americans with Broadband Video have a greater concentration in the Mid-Atlantic than those without Broadband Video. Conversely, African Americans <u>without</u> Broadband were more concentrated in the Southeast, and had 37% of all African-Americans in the U.S. <u>without</u> Broadband Video.

TABLE – 3 (REGIONAL DISPERSION OF ETHNIC GROUPS AS A PERCENT OF U.S.)

ROADBAND			
NEW ENGLAND	1.7%	6.2%	3%
MID ATLANTIC	23%	19.3%	18%
EAST CENTRAL	11.6%	2.7%	3.8%
WEST CENTRAL	9.6%	6.2%	6.9%
SOUTH EAST	33.7%	7.8%	13.4%
SOUTH WEST	9.6%	5.9%	18.8%
PACIFIC	10.7%	52%	36%
NEW ENGLAND	.80%	.71%	2.7%
MID ATLANTIC	20.8%	14.4%	13.6%
EAST CENTRAL	10.5%	1.5%	1.4%
WEST CENTRAL	9.9%	10.9%	6.4%
SOUTH EAST	36.7%	8.5%	8.5%
SOUTH WEST	15%	6.3%	23.4%
PACIFIC	6.2%	57.6%	43.9%

Source: **Urban Market Report**: *A Tapestry of Media & Life®*

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QUALITY OF LIFE MEASURES

Broadband Video vs. Non-Broadband Video

In general, ethnic groups with Broadband Video (Cable & Satellite) had higher percentage levels or measures in the following categories compared to ethnic groups without Broadband Video:

Occupation ►

Education ►

Parenting ►

Home Value ►

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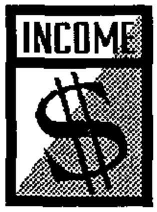

QUALITY OF LIFE MEASURES

Income (Broadband Video vs. Non-Broadband Video)

A quick assumption might point to higher Income as a major indicator of Broadband Video access, and associated quality of life factors. However, the **Urban Market Report**: *A Tapestry of Media & Life®* found that higher Income was not as cogent in predicting Broadband Video access among ethnic or minority population groups as in the general population. While higher Income levels are a major predictor in consumption patterns and behavior for the mainstream or general population, it is not necessarily among some minority groups. African Americans, in particular had greater percentages in the $10K - $30K Income ranges with Broadband Video than the $50 - $75+ Income ranges. It also indicates that African Americans with higher Incomes are not being effectively marketed. Asian Americans were also found to be relatively consistent in Income levels for both Broadband Video and Non-Broadband Video.

TABLE -4

BROADBAND	AFRICAN AMERICAN
75K +	13.3%
60-74K	9.9%
50-59K	7.9%
40-49K	10.5%
30-39K	12.6%
20-29K	15.8%
10-19K	17.5%
<10K	12.5%

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QUALITY OF LIFE MEASURES

Education (Broadband Video vs. Non-Broadband Video)

Higher Education levels among African and Hispanic Americans, in particular, were found to be strong indicators of Broadband Video (Cable & Satellite) access. Table 5 shows Educational levels based on Broadband and Non-Broadband Video segmentation. African Americans with Broadband had higher Educational levels than Non-Broadband in every category, except for [Non-High School Graduate]. Asian Americans with Broadband had slightly higher levels in educational attainment compared to Non-Broadband, except for [High School Graduate]. Hispanic Americans with Broadband Video had higher levels of educational attainment than Non-Broadband Video, including [High School Graduate]. The Hispanic Non-Broadband Video subgroup had a 53.68% rate for [Non-High School Graduate].

TABLE 5 – EDUCATIONAL ATTAINMENT

BROADBAND	AFRICAN AMERICAN	ASIAN AMERICAN	HISPANIC AMERICAN
POST GRAD	4.3%	14%	3.8%
COLLEGE GRAD	14.2%	48%	13.7%
SOME COLLEGE	27%	27.2%	28.3%
HS GRAD	38%	14.6%	29.2%
NON-HS GRAD	27%	10%	28.7%
NO BROADBAND	**AFRICAN AMERICAN**	**ASIAN AMERICAN**	**HISPANIC AMERICAN**
POST GRAD	1.2%	12.5%	.89%
COLLEGE GRAD	5.7%	33.1%	5.5%
SOME COLLEGE	18.6%	25.7%	16%
HS GRAD	36.5%	28.5%	25%
NON-HS GRAD	39%	7.8%	53.68%

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MARKETING GAPS (IN & OUT)

Self-Marketing

Despite higher indexes for ethnic markets in some Broadband Video product lines, others lag behind the general population, or between ethnic groups. By using ethnic and technographic (Broadband and Non-Broadband Video) segmentation methods, the Urban **Market Report**: *A Tapestry of Media & Life®* determined numerous market gaps as well as trends for both Broadband Video and Non-Broadband Video segments. Identifying and targeting these Marketing Gaps represent enormous opportunity for market share and revenue growth, as well as for tracking trends for future Broadband products and services.

African Americans & Added Services (In)

Historically, African Americans have indexed higher in many Broadband Video categories, particularly Pay Channel and Pay-Per-View, which have offered greater programming variety, content, and control. The **Urban Market Report**: *A Tapestry of Media & Life®* also found similar levels among African Americans for Heavy Cable Viewing, Pay Channels, and Pay-Per-View in comparison to the General Population.

TABLE 6 – CABLE PROGRAMMING USE (PAST 7 DAYS/12 MONTHS - PPV)

	African American	Asian American	Hispanic American	General Population
Cable View	63.4%	53%	52.7%	70%
Heavy View (15 Hours +)	49.3%	25.6%	34.5%	43.3%
Pay Channel (Any)	39.4%	20.6%	27.9%	36.2%
Pay-Per-View (Any)	12.3%	4.1%	12%	11.5%

Source: **Urban Market Report:** *A Tapestry of Media & Life®*

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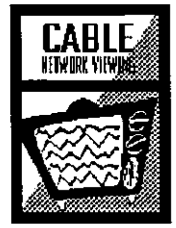

MARKETING GAPS (IN & OUT)

Hispanic Americans & Informational Programming (In)

Although not widely identified or discussed, the **Urban Market Report**: *A Tapestry of Media & Life®* found high viewing indexes for informational programming among ethnic groups. Hispanic Americans, in particular had the highest viewing index level for The Learning Channel in comparison to all ethnic groups and the General Population.

TABLE 7 – CABLE NETWORK VIEWING (PAST 7 DAYS)

	AFRICAN AMERICAN	ASIAN AMERICAN	HISPANIC AMERICAN	GENERAL POPULATION
THE LEARNING CHANNEL	17%	14%	19.16%	13.75%

Source: **Urban Market Report**: *A Tapestry of Media & Life®*

Asian American Teen Households (Out)

The report determined a significantly large gap in Broadband Video for Asian households with Teens. A difference of 13 percentage points was found between Broadband Video and Non-Broadband Video, which is striking in comparison to other groups.

TABLE 8 - TEENS IN THE HOUSEHOLD

BROADBAND	AFRICAN AMERICAN	ASIAN AMERICAN	HISPANIC AMERICAN	GENERAL POPULATION
12-17 YEARS	25.6%	18.8%	28.4%	19.5%
NO BROADBAND	**AFRICAN AMERICAN**	**ASIAN AMERICAN**	**HISPANIC AMERICAN**	**GENERAL POPULATION**
12-17 YEARS	19.8%	31.7%	29.2%	19.5%

Source: **Urban Market Report**: *A Tapestry of Media & Life®*

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MARKETING GAPS (IN & OUT)

Non-Broadband Video & Pay Channels (In - but Technically Out)

Based on estimates from the national sample of the **Urban Market Report**: *A Tapestry of Media & Life®*, there were 2.5 million or 1 million households (2.4 per household average) that viewed selected Pay Channels during a Past 7 day period that <u>were not</u> Broadband Video subscribers. This finding would give support to the market potential for Video-On-Demand and Subscription VOD delivery, as well as Video/DVD Rental and Point-of-Sale distribution among ethnic markets.

TABLE 9 – SELECTED PAY CHANNELS (PAST 7 DAYS)

No Broadband Video	African American	Asian American	Hispanic American
Cinemax	2.4%	2.4%	2.3%
Disney	1.3%	2.3%	1.6%
HBO	5%	3.6%	3.7%
The Movie Channel	1.7%	4%	.9%
Showtime	1.5%	5.4%	2.2%

Source: **Urban Market Report:** *A Tapestry of Media & Life®*

Broadband Video & Pay Channels (In & Out)

HBO was an across the board Pay Channel favorite among all ethnic groups with Broadband Video. However, erosion of HBO's large African American subscriber base was found. Disney did particularly well among Hispanics, but had noticeable market share opportunity among African and Asian Americans.

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MARKETING GAPS (IN & OUT)

Video Equipment Purchases (In & Out)

African Americans had higher purchase levels of video equipment above $500 dollars as well as for purchases below $250 dollars. Asian Americans had the highest ownership levels (75%) of Video Equipment and for purchases between $250 - $499 dollars. Hispanic American Video Equipment ownership and purchase levels were generally between those of African and Asian Americans, and were very similar to the General Population. African American Hi-End Video Equipment Purchases, as well as higher indexes for Large Screen Televisions, give trend implications for PVRs, HDTV, VOD, and SVOD, particularly since these purchase trends were found among both Broadband Video and Non-Broadband Video households.

TABLE 10 – VIDEO EQUIPMENT PURCHASE (PAST 12 MONTHS)

	AFRICAN AMERICAN	ASIAN AMERICAN	HISPANIC AMERICAN	GENERAL POPULATION
OWN	58.02%	75.47%	65.63%	69.6%
> $250	6.68%	6.6%	5.95%	6.31%
$250 - $499	2.11%	3.13%	2.54%	2.48%
$500 +	1.02%	.81%	.69%	.82%

Source: **Urban Market Report:** *A Tapestry of Media & Life®*

VCR Purchases by Brand

VCR purchases among ethnic groups followed historical American brands for African Americans and the General Population, and Asian brands among Asian Americans. Sony was notably lower among Hispanics, as well as African Americans.

MARKET GAPS (IN & OUT)

Internet Service Providers - "Plenty of Room"

Table 11 reflects selected Internet Service Provider subscription rates among ethnic groups. AOL dominated Internet Service Providers for all ethnic groups with the [Other] category second, which indicates that there is ample opportunity for market share growth for other ISP brands, such as MSN.

TABLE 11 - ISP SUBSCRIPTION

AOL	8.8%	16.3%	8%
COMPUSERVE	.5%	1.3%	.6%
MSN	2.5%	4.2%	2.1%
PRODIGY	.7%	1.1%	.42%
OTHER	4.1%	12.7%	4.6%

Source: **Urban Market Report:** *A Tapestry of Media & Life®*

Websites (Mixed Bag) [Partial Table Shown]

Visits to Websites were mixed among ethnic groups, with Asian Americans dominating. One finding showed Hispanic Americans <u>without</u> Broadband Video visiting CNN's website more than those with Broadband Video.

TABLE 12 – HISPANIC AMERICAN WEBSITE VISITS (PAST 30 DAYS)

CNN	1.62%	2.14%

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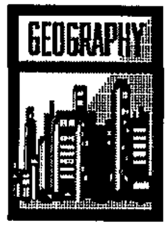

TOP 5 MEDIA MARKETS

Market Opportunities & Marketing Efficiencies

The **Urban Market Report**: *A Tapestry of Media & Life®* identified ample and unique opportunities for advertising and marketing efficiencies based on higher concentrations of ethnic groups in U.S. regional and metropolitan areas. Table 13 shows geographic dispersion segmented based on Broadband and Non-Broadband Video in the Top 5 & 3 Media Markets. Both Asian and Hispanic Americans had higher Non-Broadband Video percentages in the Top 5 Media Markets than Broadband Video. Asian Americans <u>without</u> Broadband Video comprised 57% within the Top 5 Media Markets. Hispanic American concentration in the Top 5 Media Markets was higher for Non-Broadband Video at 40.5% vs. 37.3% for Broadband Video. The Los Angeles market, in particular, had 25.3% of Hispanic Americans <u>without</u> Broadband Video, as well as 31% of Asian Americans <u>without</u> Broadband Video in the Top 5 Media Markets.

TABLE 13 - (DISPERSION OF ETHNIC GROUPS AS A PERCENT OF TOP 5 MEDIA MARKETS)

BROADBAND			
TOP 5	26%	54%	37.3%
NEW YORK	8.9%	11.5%	13.8%
LOS ANGELES	4.3%	27%	14.8%
CHICAGO	5.2%	1.6%	2.7%
TOP 5	26%	56.6%	40.5%
NEW YORK	10.5%	6%	9.6%
LOS ANGELES	3%	31%	25.3%
CHICAGO	6.8%	4.2%	2%

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